

ninety (90) days to provide LPL with a new address for use in re-sending each Offer Letter previously returned as undeliverable (the "Location Period"). The IPU may determine it necessary to extend the Location Period in which case it will notify LPL as to the minimum period of time necessary to complete its search. The Location Period shall not extend beyond one hundred eighty (180) days.

- ii. If the IPU locates an individual after the Location Period has elapsed, LPL shall accommodate any reasonable request from the IPU to re-send an Offer Letter to a newly-identified mailing address, so long as LPL is still actively engaged in mailing Offer Letters in any Jurisdiction.
- iii. Any Offer Letter that is re-sent will carry with it a revised deadline for acceptance that is sixty (60) days from the date the Offer Letter is re-sent.
- iv. Separate from the efforts undertaken by the IPU to locate a current mailing address for undeliverable Offer Letters, LPL or its representative(s) shall conduct an electronic query (*i.e.*, a public records search via a service such as Thomson Reuters or LexisNexis) for each undeliverable offeree and shall re-send an Offer Letter in a manner not materially different from LPL's initial mailing to offerees for whom it identifies an address that appears to be the offeree's current mailing address. The IPU and LPL shall coordinate to resolve any discrepancies between the address identified by the IPU and the address identified by LPL.
- v. If both the IPU and LPL are unable to locate the address for any individual within the population of offerees addressed in this Section 3(B)(12)(a), LPL shall re-send an Offer Letter to all such individuals who come forward to either LPL or the Jurisdiction within six (6) months after completion of the Historical Trade Review and Repurchase Program (as described and defined in Section III(B)(13), below).

13. The Historical Trade Review shall be completed, all offers shall be made, and all payments remitted (collectively the "Repurchase Program") in Delaware no later than November 1, 2019.

14. No later than December 31, 2019, LPL shall prepare and submit to the IPU a report including the following information:
- a. For each offer made:
 - i. The trade date(s) and corresponding product(s) covered by the offer;
 - ii. The name and address of the offeree(s);
 - iii. Whether the offer was either accepted, affirmatively rejected, or deemed rejected due to a failure to timely accept;
 - iv. The date(s) and amount(s) remitted for each offer; and
 - v. Any special circumstances relevant to that offer (*e.g.*, if the original customer is now deceased and the payment was remitted to the customer's heirs or estate).
 - b. The total amount paid to all residents of the Jurisdiction in connection with the Repurchase Program; and
 - c. The number of executed and settled purchase orders reviewed in Delaware that were determined by a third-party service provider other than the Independent Reviewer to have complied with state registration requirements, and that were therefore not reviewed by the Independent Reviewer. LPL will identify all such trades upon request by the IPU.
15. No later than December 31, 2019, LPL shall require the Independent Reviewer to certify to LPL that the Independent Reviewer's determinations as to which transactions contravened state registration requirements are true, accurate, and based on all available information and a good faith interpretation of applicable law. Prior to the Independent Reviewer's certification, LPL shall direct that any third-party who provided services in furtherance of the Independent Reviewer's determinations provide a written representation to the Independent Reviewer that all services rendered in furtherance of the Historical Trade Review were fully completed in accordance with both the third-party's statement of work and all directives provided to the third-party by the Independent Reviewer.

16. No later than December 31, 2019, LPL or its designee(s) shall certify to the IPU that LPL has fully complied in all material respects with the undertakings set forth in Section III(B) of this Order in connection with transactions effected in Delaware, including to the best of LPL's knowledge, the truth, accuracy, and good faith basis of all determinations by the Independent Reviewer and any other third-party service provider as to whether any transaction complied with state registration requirements. LPL shall provide as an exhibit to this certification copies of the Independent Reviewer's certification and any other third-party representations that LPL is relying upon in making this certification to the IPU. In its certification, LPL shall affirm that if an error is subsequently identified within the Historical Trade Review and Repurchase Program (whether a failure to identify a violative transaction or an error in calculating the value of an offer), LPL will retain responsibility for ensuring the error is remediated so that LPL has made all offers anticipated by this Order. The identification of a good-faith error within the Historical Trade Review and Repurchase Program shall not result in a finding by Delaware that LPL is in default of this Order.
17. The costs and expenses of the Historical Trade Review and the related Repurchase Program shall be borne exclusively by LPL Financial Holdings Inc. or its direct or indirect subsidiaries, and shall not reduce or otherwise affect the amount of any penalty or fine imposed in this Order.
18. At LPL's request, the Lead States for all Jurisdictions where necessary and/or the IPU for its own part may extend, for good cause shown, any of the procedural dates set forth in this Section III(B). If the Lead States extend a date or deadline, the Lead States shall extend all related subsequent deadlines that are dependent on the extended date or deadline by a corresponding amount of time. Any extension granted by the Lead States shall apply to all dates in Delaware pursuant to this Order. If the IPU extends a date or deadline (*see, e.g., supra* Section III(B)(12)(a)(i)), then the IPU shall extend all related subsequent deadlines applicable to the completion of undertakings in Delaware by a corresponding amount of time. Any extension by the IPU shall apply only to Delaware and shall not have any effect on any dates or deadlines related to the Historical Trade Review and Repurchase Program in any other Jurisdiction.

C. COMPREHENSIVE REVIEW OF BLUE SKY OPERATIONS, POLICIES, PROCEDURES, AND PRACTICES

19. If it has not already done so, no later than July 2, 2018, LPL shall commence a comprehensive review of its operations, policies, procedures, and practices relating to compliance with and supervision of blue sky state securities registration requirements in all Jurisdictions, to assess whether the foregoing (i) are adequate to reasonably ensure compliance with applicable state laws, rules, and regulations, (ii) are consistent with industry practice, and (iii) are being implemented fully, properly, and effectively (the “Operational Review”) so as to avoid violative transactions like those identified in the Historical Trade Review.
20. The Operational Review shall include the following areas:
- a. Compliance and supervisory controls and related policies, procedures and process relating to:
 - i. Identification and escalation protocols by supervisory and compliance personnel involving significant matters relating to compliance with state securities laws, rules and regulations;
 - ii. Communication and information sharing between departments and business units (*e.g.*, procurement, technology, trading, and retail brokerage) relative to state securities registration requirements and operations processes for ensuring intra- and inter-departmental coordination on matters relating to state securities registration requirements; and,
 - iii. Training and education of staff, including associated persons of the broker-dealer whether employees or independent contractors, relative to state securities registration requirements;
 - b. A complete, top-to-bottom review of the onboarding of new securities products for purposes of assessing LPL’s ability to comply with all state securities registration requirements, and all operations and procedures in connection with state registration requirements, that apply to the offer and sale of that product;

- c. A complete top-to-bottom review of vendor service protocols to ensure processes are in place for identification and management of critical services used to ensure compliance with state securities laws. This will include an assessment of the impact of such products and services on LPL's ability to review transactions for Blue Sky compliance; and
 - d. Personnel and staffing relative to those functions that relate to compliance with and supervision of state securities registration requirements. Insofar as LPL has represented that it has undertaken to assess and upgrade its talent as it impacts compliance with state securities registration requirements, including the recruitment of an experienced blue sky professional and expert on state securities registration compliance matters, the Operational Review shall assess the experience, responsibilities, and resources available to all personnel hired or reassigned within LPL in connection with ensuring compliance with state securities registration requirements.
21. The Operational Review shall be conducted by an unaffiliated third party that is not unacceptable to the Lead States (the "Consultant"). The Consultant shall not be a person or entity who has been engaged or retained by LPL between January 1, 2012 and July 1, 2017 for the purpose of conducting any review of similar scope and substance.
- a. Upon request, LPL shall provide the IPU with copies of all final contracts related to the engagement of the Consultant and any other third-party service provider involved in the Operational Review and the related remediation. LPL shall promptly respond to any additional requests for information by the IPU relating to such engagement.
 - b. LPL shall neither be in nor have an attorney-client relationship with the Consultant, and shall not seek to invoke the attorney-client privilege or any other doctrine or privilege to prevent the Consultant from transmitting any information, reports, or documents as set forth in this Order to the IPU or to LPL's Board of Directors.
 - c. LPL shall not have the authority to terminate the Consultant or any third-party service provider engaged in connection with the Operational Review, without prior written approval from the Lead States.

22. The Operational Review shall be completed no later than May 1, 2019.
23. LPL may request confidential treatment be afforded to any material provided by LPL and/or the Consultant to the IPU, and the IPU shall provide such treatment and seek to prevent public disclosure of those materials to the full extent possible under its laws.
24. No later than July 1, 2019, LPL shall require that the Consultant submit a report to LPL detailing the results and findings of the Operational Review, including a list of all deficiencies identified and recommendations for addressing such deficiencies.
25. LPL shall cure all deficiencies identified in the Consultant's report ("Operational Remediation") no later than June 30, 2020.
 - a. If LPL declines to adopt or implement any recommendation(s) by the Consultant for addressing deficiencies identified during the Operational Review, LPL shall identify the recommendations not adopted or implemented and explain why they were not adopted or implemented.
26. No later than August 31, 2020, LPL or its designee(s) shall certify to the Lead States that LPL has fully complied in all material respects with the undertakings set forth in Section III(C) of this Order.
27. The costs and expenses of the Operational Review and Operational Remediation shall be borne exclusively by LPL Financial Holdings Inc. or its direct or indirect subsidiaries, and shall not reduce or otherwise affect the amount of any penalty or fine imposed as part of the Settlement.
28. At LPL's request, the Lead States may extend, for good cause shown, any of the procedural dates set forth in this Section III(C). If the Lead States extend a date or deadline, the Lead States shall extend all related subsequent deadlines that are dependent on the extended date or deadline by a corresponding amount of time. Each Jurisdiction shall reflect in their Order that any extension granted by the Lead States shall apply in the Jurisdiction. Any extension granted by the Lead States shall apply to all dates in Delaware pursuant to this Order.

D. AUDITS AND INSPECTIONS

29. The IPU shall have the right to conduct on-site audits, inspections, or examinations of LPL to ensure full compliance with the undertakings herein. The cost of any such audit, inspection, or examination shall be borne exclusively by LPL Financial Holdings Inc. or its direct or indirect subsidiaries. The IPU will not initiate any such audit, inspection or examination to assess LPL's compliance with the undertakings herein until after LPL has provided the certifications described in Sections III(B)(15), III(B)(16), and III(C)(26) above.

E. CONSTRUCTION AND DEFAULT

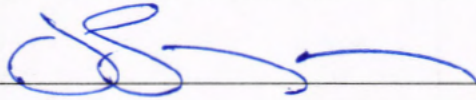
30. This Order is not intended to form the basis for any disqualification from registration as a broker-dealer, investment adviser, or issuer under the laws, rules, and regulations of Delaware, and waives any disqualification from relying upon the securities registration exemptions or safe harbor provisions to which LPL or any of its affiliates may be subject under the laws, rules, and regulations of Delaware.
31. Nothing in this Order is intended to form the basis for any disqualification under the laws of any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands; under the rules or regulations of any securities or commodities regulator or self-regulatory organizations; or under the federal securities laws, including but not limited to, Section 3(a)(39) of the Securities Exchange Act of 1934 and Regulation A and Rules 504 and 506 of Regulation D under the Securities Act of 1933. Furthermore, nothing in this Order is intended to form the basis for disqualification under the FINRA rules prohibiting continuance in membership or disqualification under other SRO rules prohibiting continuance in membership. This Order is not intended to be a final order based upon violations of any Delaware statute, rule, or regulation that prohibits fraudulent, manipulative or deceptive conduct.
32. Except in an action by the IPU to enforce the obligations in this Order, this Order is not intended to be deemed or used as (a) an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) an admission of, or evidence of, any such alleged fault or omission of LPL in any civil, criminal,

arbitration, or administrative proceeding in any court, administrative agency, or other tribunal.

33. If payment is not made by LPL or if LPL defaults in any of its obligations set forth in this Order, the IPU may institute an action to have this agreement declared null and void. Upon issuance of an appropriate order, after a fair hearing, the IPU may reinstitute the action or investigation related to the substance of the Findings of Fact and Conclusions of Law herein.
34. This Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the state of Delaware without regard to any choice of law principles.
35. This Order is not intended to state or imply willful, reckless, or fraudulent conduct by LPL, or its affiliates, directors, officers, employees, associated persons, or agents.
36. LPL, through its execution of this Order, voluntarily waives the right to a hearing on this matter and to judicial review of this Consent Order under 6 Del. C. §§ 73-304, 73-502 and 73-601.
37. LPL enters into this Consent Order voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the IPU or any member, officer, employee, agent, or representative of the IPU to induce LPL to enter into this Consent Order.
38. This Order shall be binding upon LPL and its successors and assigns, as well as to successors and assigns of relevant affiliates, with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

Dated this 13 day of September 2018.

BY ORDER OF THE INVESTOR PROTECTION
DIRECTOR FOR THE STATE OF DELAWARE



Jillian Lazar
Investor Protection Director

CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY LPL

LPL hereby acknowledges that it has been served with a copy of this Administrative Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

LPL admits the jurisdiction of the IPU, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order; and consents to entry of this Order by the IPU as settlement of the issues contained in this Order.

LPL agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary penalty that LPL shall pay pursuant to this Order. LPL understands and acknowledges that these provisions are not intended to imply that IPU would agree that any other amounts LPL shall pay pursuant to this Order may be reimbursed or indemnified (whether pursuant to an insurance policy or otherwise) under applicable law or may be the basis for any tax deduction or tax credit with regard to any state, federal or local tax.

LPL states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

CECILIA BAUTE MAVICO represents that [he/she] is SVP, Head of Regulatory Inquiries + Strategy of LPL and that, as such, has been authorized by LPL to enter into this Order for and on behalf of LPL.

Dated this 6th day of sept, 2018.

LPL

By: Cecilia Mavico
Title: SVP, Head of Regulatory Inquiries + Strategy

SUBSCRIBED AND SWORN to before me this 6th day of September 2018



Diane H. Carter
Notary Public

My Commission expires:

1/26/2027